

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Proxmire's S. 653

FROM:

Acting DDA
7D26 Hqs

EXTENSION

NO.

DATE

18 July 1975

25X1A

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. George Cary
Legislative Counsel
7D35 Headquarters

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George:

Concerning S. 653, the audit by GAO, I asked Tom Yale to do a rewrite of your proposed letter which would incorporate the strong position taken by OF against GAO audits. The draft combines (a) the OLC draft, (b) suggestions of the Comptroller reflected in his memo of 11 July 1975, and (c) Office of Finance suggestions.

Although I don't think your draft and that of Tom Yale are too far apart, I do think it would be useful to have a meeting among the interested parties to come up with a coordinated Agency position on this important Bill. I would certainly be pleased to attend and agree with Tom Yale that [REDACTED] be invited in that we are discussing GAO audits.


 John N. McMahon
 Acting Deputy Director
 for
 Administration

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Director of Finance
1212 Key Building

EXTENSION

NO.

DATE

16 July 1975

25X1A

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Associate Deputy Director
for Administration
7 D 26 HQS.

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Executive Officer to the DDA
7 D 26 HQS.

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John:

Attached for discussion purposes is a revised draft of proposed letter to Mr. Ribicoff. The draft is a combination of (a) the most recent OLC draft, (b) suggestions of Mr. Iam reflected in his memo of 11 July 1975 and (c) Office of Finance suggestions

I believe we have gone as far as possible without a meeting. At your convenience, Hubert and I will be available for a meeting on this subject. Suggest [redacted] be invited for his input as the subject relates to GAO.

25X1A

Thomas B. Yale
Director of Finance

Att

Honorable Abraham Ribicoff, Chairman
Committee on Government Operations
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

I understand that S. 653, introduced by Senator Proxmire, has been referred to the Committee on Government Operations for consideration. This bill would authorize the Comptroller General to conduct an audit of the accounts and operations of an intelligence agency, when requested by a congressional committee with legislative jurisdiction ^{over} of that agency. A report of the audit would be submitted to the requesting committee. The legislation states that the audit shall be conducted notwithstanding section 8(b) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403j). This section reads:

"(b) The sums made available to the Agency may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified."

Because S. 653 would seriously erode the important section 8(b) authority, I am writing to express my opposition to the bill.

The Central Intelligence Agency was established by the National Security Act of 1947 (50 U.S.C. 403) with the basic mission of providing our nation's policy-makers with the best possible intelligence on foreign developments and threats. Our ability to provide accurate and current intelligence to the

President, the National Security Council, and to the Congress depends heavily upon the acquisition and protection of productive sources and effective methods of collection and analysis. Preservation of these sources and methods is absolutely dependent on their secrecy. This essential secrecy was recognized by the Congress in its directive in the National Security Act of 1947, as amended (50 U.S.C.403), that:

"The Director of Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure."

One of the key statutory tools enabling the Director to protect Intelligence Sources and Methods is the section 8(b) authority to expend confidential funds solely on the certificate of the Director. The Agency has used this confidential funds authority with restraint. It has been and it remains the policy of CIA to rely upon vouchered funds wherever possible, and to subject confidential as well as vouchered funds to an internal audit which complies with the same principles and standards as are applied by the Comptroller General in auditing other agencies of the Government. (Vouchered funds are those which can be accounted for and audited in conformance with the laws that apply to other Government agencies and with standard Government regulations and

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The confidential funds certification authority is reserved for "objects of a confidential, extraordinary, or emergency nature." Such expenditures would apply, for example, [REDACTED] This person may stand in danger of losing his life, should his relationship

25X1A

with CIA become known. Most Americans who provide information to us also insist that their cooperation be kept secret. We have always been able to assure those who assist us that no one outside CIA will have access to their records, and that only the absolute minimum number of Agency employees will know of the relationship. I believe the public revelation that non-Agency auditors over whom the Director exercises no administrative authority or direction could gain access to their names or records might well discourage many of these people from future cooperation, and would certainly affect the assurance we could, in good faith, provide. We have already lost some cooperation, due to the fear of disclosure evoked by the amendments to the Freedom of Information Act and the plethora of leaks and allegations about CIA activities.

GAO auditors can be presumed to be just as loyal and trustworthy as CIA auditors, and can be granted security clearances with equal facility but they have no administrative or security responsibility to the Director of Central Intelligence. The DCI exercises no control over them which would permit him to meet his responsibility to protect sources and methods. To the extent that external auditors, or any other persons not under the direction of the DCI, are granted unrestricted access to documents containing information about sources and methods, the Director will have lost control and his responsibility will have been abrogated. Preservation of that responsibility and the authority to meet it is vital to the effective performance of an intelligence organization.

The importance of section 8(b) was acknowledged by Mr. Lindsay C. Warren, Comptroller General at the time the CIA Act was before Congress. A letter dated March 12, 1948, from Mr. Warren to the Director of the Bureau of the Budget addressed this confidential funds authority. Mr. Warren wrote that while this authority provided "for the granting of much wider authority than I would ordinarily recommend for Government agencies, generally, the purposes sought to

be obtained by the establishment of the Central Intelligence Agency are believed to be of such paramount importance as to justify the extraordinary measures proposed therein." He further stated that the "necessity for secrecy in such matters is apparent and the Congress apparently recognized this fully in that it provided in Section 102(d) 3 of Public Law 253, that the Director of Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure." Under these conditions, he stated, "I do not feel called upon to object to the proposals advanced..."

The General Accounting Office did audit certain CIA accounts over a thirteen-year period, beginning with an audit of the vouchered accounts of this Agency in 1949. This was the same audit GAO conducted of other Federal agencies. In the 1950's, however, GAO instituted the comprehensive audit, the purpose of which was to examine all agency financial transactions, as well as to evaluate the utilization of property and personnel, and the effectiveness and economy of the conduct of agency programs. Through negotiations between CIA and GAO, an expanded audit by GAO was begun in 1959, but one which fell short of the full comprehensive audit in that it did not encompass the most sensitive agency accounts and operations. During these negotiations, the Comptroller General again expressed his support for section 8(b).

This arrangement was maintained until 1962. Despite the urging of the Director of Central Intelligence (Mr. McCone) and Chairman of the Committee on Armed Services of the House of Representatives (Mr. Vinson), GAO recommended that its audit be discontinued, stating the view that GAO did "not have sufficient access to make comprehensive reviews on a continuing basis that would be productive of evaluations helpful to the Congress." The Director and Mr. Vinson reluctantly agreed. As a result of the GAO desire


to discontinue its audit, the Agency established additional internal audit and review procedures. The Agency Audit Staff reports to me through the Inspector General and observes the same audit principles and standards as the GAO.

The decision of the Comptroller General to discontinue the audit of Agency activities was received with considerable reservation within CIA. We have always felt that an arrangement such as GAO review of the Agency internal audit process could be reached which would reassure Congress that GAO audit standards were being applied. I must oppose any legislation, however, including S.653, which would open our most sensitive records to any additional unrestricted access not subject to the direct administrative control necessary to permit anyone holding the Office of Director Central Intelligence to meet his responsibility to protect intelligence sources and methods, a responsibility created by Congress to enable us to carry our basic mission.

ROUTING AND RECORD SHEET				
SUBJECT: (Optional)				
FROM: Legislative Counsel 7D49		EXTENSION	NO. DD/A 75-3195 DATE 3 July 1975	
TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
	RECEIVED	FORWARDED		
1. DDA				<p>One of the issues we will no doubt have to face during the 94th Congress is whether and to what extent GAO should resume auditing the Agency. Senator Proxmire has introduced S. 653, which would authorize audits notwithstanding section 8(b) of the CIA Act, if requested by one of the oversight committees. We have drafted a position (Attachment A) on the Proxmire bill (Attachment B), based on the Director's testimony before the House Defense Appropriations Subcommittee in February (Attachment C). Mr. Colby took the position that we would agree to a resumption of the GAO audit on a limited basis. However, in coordinating our draft, objections were raised by the Office of Finance, which opposes a resumption to any degree and wishes to maintain the status quo. I would like to have a coordinated Agency position to present the Director and would appreciate having your concurrence or nonconcurrence on our proposed position. The substitute conclusion proposed by the Office of Finance is Attachment D.</p> <p>Please ponder this issue in light of the fact that increased oversight, in some form, seems inevitable, and that S. 653 not only involves the audit question, but also the oversight question in that the audit can only be conducted at the request of one of the oversight committees. May I please have your thoughts by July 11th. I may want to call a</p> <p>(over)</p>
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meeting to resolve the issue
after receiving your responses.
Thank you.

25X1A



George L. Cary
Legislative Counsel

Copies sent:
Comptroller
OGC
DDA

DRAFT:DFM:cg (2Jul75)

Honorable Abraham Ribicoff, Chairman
Committee on Government Operations
United States Senate
Washington, D. C. 20510

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Because S. 653 would seriously erode the important section 8(b) authority, I am writing to express my opposition to the bill.

The Central Intelligence Agency was established by the National Security Act of 1947 (50 U.S.C. 403) with the basic mission of providing our nation's policy-makers with the best possible intelligence on foreign developments and threats. Our ability to provide accurate and current intelligence to the

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2 The confidential funds certification authority is reserved for "objects of a confidential, extraordinary, or emergency nature." Such expenditures would apply, for example, 25X1A [REDACTED] This person may stand in danger of losing his life, should his relationship with CIA become known. Most Americans who provide information to us also insist that their cooperation be kept secret. We have always been able to assure those who assist us that no one outside CIA will have access to their records, and that only the absolute minimum number of Agency employees will know of the relationship. I believe

the revelation that non-Agency auditors could gain access to their names or records might well discourage many of these people from future cooperation, and would certainly affect the assurance we could, in good faith, provide. We have already lost some cooperation, due to the fear of disclosure evoked by the amendments to the Freedom of Information Act and the plethora of leaks and allegations about CIA activities.

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This arrangement was maintained until 1962. Despite the urging of the Director of Central Intelligence (Mr. McCone) and Chairman of the Committee on Armed Services of the House of Representatives (Mr. Vinson), GAO recommended that its audit be discontinued, stating the view that GAO did "not have sufficient access to make comprehensive reviews on a continuing basis that would be productive of evaluations helpful to the Congress." The Director and Mr. Vinson reluctantly agreed. As a result of the GAO desire to discontinue its audit, the Agency established additional internal audit and review procedures. The Agency Audit Staff reports to me through the Inspector General and observes the same audit principles and standards as the GAO.

The decision of the Comptroller General to discontinue the audit of Agency activities was received with considerable reservation within CIA. We have always felt that an arrangement could be reached which would comport with GAO audit requirements and at the same time avoid endangering Intelligence Sources and Methods, which I have a statutory duty to protect. However, I must oppose any legislation, including S. 653, which would authorize any additional access to our most sensitive records.

Sincerely,

W. E. Colby
Director

94TH CONGRESS
1ST SESSION

S. 653

IN THE SENATE OF THE UNITED STATES

FEBRUARY 11, 1975

Mr. PROXMIRE introduced the following bill; which was read twice and referred
to the Committee on Government Operations

A BILL

To amend the Budget and Accounting Act, 1921, to provide
for audits by the General Accounting Office of expenditures
by intelligence agencies of the Government and for reports
thereon to certain committees of the Congress.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Budget and Accounting Act, 1921 (31 U.S.C.
4 41 et seq.) is amended by adding at the end thereof the
5 following new section:

6 "SEC. 320. (a) Notwithstanding the provisions of sec-
7 tion 8 (b) of the Central Intelligence Agency Act of 1949
8 (50 U.S.C. 403j (b)) or of any other provision of law, the
9 accounts and operations of each intelligence agency of the

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1 Government shall be audited pursuant to the provisions of
2 this section and under such rules and regulations as may be
3 prescribed by the Comptroller General. For purposes of
4 this subsection, the term 'intelligence agency' means the
5 Central Intelligence Agency, the Defense Intelligence
6 Agency, the National Security Agency, the Intelligence
7 and Research Bureau of the Department of State, and the
8 intelligence components of the Department of the Treasury,
9 the Department of the Army, the Department of the Navy,
10 the Department of the Air Force, the Energy Research and
11 Development Administration, and the Federal Bureau of
12 Investigation. Such term also includes any successor agency
13 or component to any of the agencies or components named
14 in the preceding sentence.

15 “(b) The Comptroller General shall arrange for security
16 clearances of such officers and employees of the General Ac-
17 counting Office as may be necessary to carry out the pro-
18 visions of this subsection, and the intelligence agencies shall
19 give the highest priority to processing such clearances.

20 “(c) The head of each intelligence agency shall cooper-
21 ate with the Comptroller General and the officers and em-
22 ployees assigned by him in carrying out the provisions of
23 this subsection.

24 “(d) At the request of any committee of the Senate or
25 the House of Representatives, or any joint committee of the

1 Congress, which has legislative jurisdiction over any intelli-
2 gence agency or the appropriation of funds therefor, or of
3 any subcommittee of any such committee or joint committee
4 to which such jurisdiction has been delegated by such com-
5 mittee or joint committee, the Comptroller General shall
6 (A) submit to such committee, joint committee, or sub-
7 committee a report of any audit of the accounts and opera-
8 tions of such intelligence agency conducted pursuant to this
9 subsection, and (B) conduct an audit pursuant to this subsec-
10 tion of such accounts and operations of such intelligence
11 agency as may be requested and submit a report thereon to
12 such committee, joint committee, or subcommittee.”.

94TH CONGRESS
1ST SESSION

S. 653

A BILL

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to provide for audits by the General Ac-
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gence agencies of the Government and for
reports thereon to certain committees of the
Congress.

By Mr. PROxmRE

FEBRUARY 11, 1975

Read twice and referred to the Committee on
Government Operations

Next 3 Page(s) In Document Exempt